

KATIE FRY HESTER
Legislative District 9
Carroll and Howard Counties

Education, Health, and
Environmental Affairs Committee

Chair, Joint Committee on
Cybersecurity, Information Technology
and Biotechnology



Annapolis Office
James Senate Office Building
11 Bladen Street, Room 304
Annapolis, Maryland 21401
410-841-3671 · 301-858-3671
800-492-7122 Ext. 3671
KatieFry.Hester@senate.state.md.us

THE SENATE OF MARYLAND
ANNAPOLIS, MARYLAND 21401

Testimony in Support of SB772 - Small Business COVID-19 Relief Act of 2021

February 24, 2021

Chairman Guzzone, Vice-Chair Rosapepe and members of the Senate Budget and Taxation Committee:

Thank you for your consideration of Senate Bill 772. Throughout the pandemic, small businesses across the State of Maryland have faced previously unimaginable challenges. Like many of you, my office has been inundated with calls from constituents and small businesses in need of financial and technical assistance in weathering these trying times. I want to thank this committee for all the support you've already provided through the RELIEF Act and its accompanying amendments. But our small businesses, particularly the smallest of the small and those overlooked in previous aid efforts, still need our help.

This bill would seek to address those outstanding areas of need through four initiatives:

1. Maryland COVID-19 Emergency Loan Program
2. Maryland COVID-19 Emergency Grant Program
3. Maryland COVID-19 Business Recovery Assistance Program
4. A subtraction modification for the most greatly impacted small businesses during COVID

All the above initiatives are targeted towards Maryland's hardest hit small businesses, based in and operating within the State, with 50 or fewer full time equivalent employees, and who have experienced a loss of revenue of greater than 25%. Additionally, where applicable, each of these programs requires that aid be prioritized to businesses of 10 employees or less, followed by those with between 11 and 25 employees, and then those with 26 to 50 employees. This is intended to make sure small businesses with less capacity to navigate state systems and complete applications are not crowded out of these programs by virtue of their size.

Maryland COVID-19 Emergency Loan Program

This program, administered by the Department of Commerce, would provide emergency loans to small, minority, or women-owned small businesses throughout the State of Maryland that have

met the parameters for “eligible small businesses” as mentioned above. Loans made under this program will be interest free for at least the first 12 months, and may not require the provision of collateral. The funding provided through these loans can be used as working capital for payroll, rent or mortgage expenses, utility expenses, or other similar operating expenses.

This provision is modeled after the excellent work the Department of Commerce has done through their Emergency Loan Program over the past year.

Maryland COVID-19 Emergency Grant Program

This program, administered by the Department of Commerce, would provide emergency grant funding to eligible small businesses as defined above across the State of Maryland through our 24 local jurisdictions. Counties will apply to the Department for a distribution of funds on a per capita basis, and may establish any other grant qualifications.

This program is intended to provide Counties with the grant funding necessary to help small businesses in their own communities that may not have received necessary attention in previous rounds of aid funding. It is also modeled after the excellent work of the Department last year in administering emergency grants throughout the State.

Maryland COVID-19 Business Recovery Assistance Program

This program, administered by the Maryland Small Business Development Center, will provide technical assistance to “eligible small businesses,” by pairing them with businesses providing technical services at pre-negotiated rates. It also creates a companion COVID-19 Business Recovery Assistance Fund to help cover the cost of technical assistance to eligible small businesses.

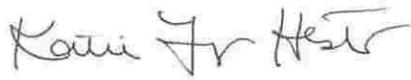
This program is modeled after the Strategic Assistance Consulting Fund (SACF), which was active in the State of Maryland from 2001 to 2011. The intent of this program is to connect businesses to businesses to make sure our small businesses have the technical support they need to reopen their doors and stay open throughout a recovery effort.

Gross Income Subtraction Modification

This provision allows “eligible small businesses,” as defined above, who did not earn more than \$5 million in gross revenues during calendar year 2019 to subtract the first \$100,000 of earned income from their Federal adjusted gross income to determine Maryland adjusted gross income. This provision is intended to provide much needed tax relief for Maryland’s hardest hit Small Businesses.

Throughout the recovery effort, the [99.5% of Maryland Businesses that are “Small Businesses”](#) will need significant assistance. According to FEMA, 40% of businesses do not reopen following a disaster. Of those that do reopen, another 25% fail within one year. Similar research from the Small Business Administration indicates that over 90% of businesses fail within two years after being struck by a disaster. Recovery doesn't end when a business reopens their doors. It continues through the years following a disaster. This legislation will help provide our hardest hit small businesses with resources to weather the coming months, and marries it with the necessary technical assistance to make sure they have the management and business practices in place to put these resources to good use and fully recover over the long term. **I respectfully request a favorable report on SB772.**

Sincerely,

A handwritten signature in cursive script that reads "Katie Fry Hester".

Senator Katie Fry Hester
Carroll and Howard Counties